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NOTE
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FOR Mr GIBSON

CONCERNING THE ACTRON FILTER, THE EXTENT OF ITS PROTECTION FROM THE POINT OF VIEW OF INDUSTRIAL PROPERTY RIGHTS AND THE CONSEQUENCES OF AN ~~VIOLATION~~ INFRINGEMENT THEREOF

1.- Generalities

The Actron filter has been the object of a patent application in Switzerland. The patent has not yet been granted in this country. In Germany, it has just been the object of a publication.

Preliminarily, it is appropriate to emphasize that a patent, which is an official document conferring an exclusive right of exploitation, cannot have any effect outside the territory of the State which has granted it. This so-called territoriality principle is applicable universally, even though it has not been expressly codified in the laws of all countries. This principle was propounded by the Federal Court in 1909, since when it has been confirmed (ATF 35 II 643; ATF 97 II 169 = JT 1971 I 612; ATF 100 II 237 = JT 1975 I 513).

At the level of international law, it must be pointed out that the agreement of the Paris Union for the Protection of Industrial Property Rights, revised in Brussels, Washington, The Hague, London, Lisbon and Stockholm, provides in Art. 4 that a person who has regularly filed a patent application in a country belonging to the Union shall

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enjoy, for a period of one year, a right of priority for filing the application in the other countries.

2.- Definition of the term "patent"

The term "patent" is not defined in the Federal Patents Act (LB) of June 25, 1954. Nevertheless, the following definition may be given: "A written declaration issued by the Patent Office and certifying that the person named as the holder claims protection under the patent for the invention defined and described in the patent specification, and that he has duly complied with the formalities which are indispensable for obtaining such protection."

From this definition, it is clear that, in Swiss law, a patent has only the effect of conferring a presumption which may be rebutted.

Art. 8 LB provides as follows: "The patent confers upon its holder the exclusive right to exploit the invention professionally. Apart from the use and execution of the invention, its exploitation includes, in particular, offering for sale, selling and putting into circulation. If the invention relates to a process, the effects of the patent extend to the direct products of that process."

From the definition of the term "patent" that has been given above, it appears that this exclusive right exists only as long as the presumption conferred by the patent is not rebutted. This presumption, as opposed to an absolute right, results from the fact that, in Switzerland, most patents are not the object of a previous examination, the Office confining itself to an extremely limited examination of the patent application and its claims.

3.- Nullity of the patent

Notwithstanding the declaration of the competent authority incorporated in the granting of the patent, the rights mentioned therein have not come into being when their material foundation is lacking.

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The formal act of the authority granting the patent cannot take the place of that foundation, but it does create the appearance of the right.

Art. 26 LB enumerates the various grounds for the nullity of a patent in Swiss law. This provision makes it possible to divide the causes of nullity into material causes and formal causes. The material causes are, essentially, the lack of one of the essential characteristics or of a legal attribute of the invention (absence of technicality, of novelty or of possible industrial exploitation), as well as the concurrent granting of a patent. As for the formal causes of nullity, they are, essentially, an insufficient description of the invention or an obscure definition of it.

4.- Infringements of patent rights

According to Art. 51 § 2 LB, it is the claims that determine the extent of the protection conferred by the patent.

Art. 66 LB provides as follows:

"According to the following provisions, civil and criminal proceedings may be instituted against:

a/ A person who exploits a patented invention illicitly. Imitation is considered to be a form of exploitation.

b/ A person who refuses to declare to the competent authority the origin of such illicitly manufactured products as may be in his possession.

c/ A person who, without the consent of the holder of the patent or of a licensee thereunder, removes the patent mark which is affixed to a product or to its package.

d/ A person who incites another person to commit any of these acts or who collaborates therein or who encourages or facilitates the performance thereof."

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5.- The problem at the level of civil law

a/ Since the granting of a patent has only the effect of confirming the presumption which has been mentioned above, Art. 74 LB has instituted the declaratory suit. A person who proves an interest can bring an action for the purpose of establishing the existence or the absence of a state of facts or of a legal relation to which the LB attaches effects, in particular:

1.- that a given patent rightfully exists;
2.- that the defendant has committed one of the acts mentioned in Art. 66;
3.- that the plaintiff has not committed any of the acts menioned in Art. 66;
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Thus, the declaratory suit is a means which is at the disposal not only of the holder of the patent, but also of the party who wishes to demonstrate that he has not committed any of the acts mentioned in Art. 66 LB.

b/ Art. 26 LB provides that, on request, the judge will establish the nullity of the patent, in particular when the object of the patent is not patentable.

c/ By virtue of the law concerning patents, the holder of the patent may of course bring an action for restraint of interference, for the purpose of obtaining a judicial injunction prohibiting the defendant from interfering illicitly with the plaintiff's sphere of interests. The action may concern existing (and therefore durable) prejudices or imminent prejudices.

Art. 72 LB, which permits this action for restraint of interference, also permits a person to bring an action for the suppression of the state of facts of the illicit act.

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d/ Art. 69 LB permits the plaintiff, that is to say the holder of the patent, to request the judge to order the confiscation and the sale or destruction of the illicitly manufactured products or of the installations, tools etc. which have been used for manufacturing them.

e/ In its Art. 73, the LB also institutes the right to sue for damages.

It has been admitted in jurisprudence, on the basis of Art. 423 CO (ATF 63 II 280), that the holder of the patent may require the defendant to refund any profit acquired by him through the infringement of the patent. It has, however, been made a rule in jurisprudence that the plaintiff cannot cumulate the suit for damages with that for restitution of the illicit profit (JT 1971 I 612 / JT 1973 I 525).

6. The problem at the level of criminal law

Art. 81 LB provides that a person who wilfully commits any of the acts mentioned in Art. 66 shall, on the injured party's complaint, be punished with imprisonment for a period not exceeding one year or with a fine not exceeding Fr. 20,000.--. The right to prosecute is barred by limitation at the end of six months from the date on which the injured party has found out who is the perpetrator of the infringement.

7. Procedure

a/ In civil actions:

The cantonal codes of procedure are applicable unless otherwise provided by the LB. For a hearing on the main issue, the LB contains no special provision in the matter of procedure.

As regards the jurisdiction, that is to say the ~~place where the~~ proper place for the opening of the hearing, Art. 75 LB provides as follows:

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1 "The competent person for pronouncing judgement in the cases provided by this Act is:

a/ For actions brought against third parties by the applicant or the holder of a patent: the judge of the defendant's domicile, or of the place where the act was committed, or of ~~the~~ the place where the result occurred;

b/ For actions brought against the applicant or the holder of a patent by third parties: the judge of the defendant's domicile; if that domicile is not situated in Switzerland, the competent judge is that of the place where the registered agent carries on his activity or, if the agent's name has been struck off the register, the judge of the place where the Federal Bureau for Intellectual Property has its registered office.

2 If various places come into consideration, the competent judge will be the one before whom the case ~~has first been laid.~~ was laid originally. ~~was first~~"

b/ In criminal law, it is likewise the cantonal codes of procedure that prescribe the manner in which the criminal action is to be initiated. Art. 66 LB provides, however, that if the accused enters the plea of nullity of the patent, the judge may allow him an appropriate period of time for bringing the nullity action, warning him of the consequences of inaction on his part.

If the action is initiated in due time, the criminal procedure will be suspended until the action has been the object of a final decision. In the meantime, the running of the statute of limitation will be suspended. The civil action may be instituted either before the judge of the defendant's domicile or before the judge of the place where the criminal procedure was initiated.

As regards the competent authority, it is Art. 84 that provides that, at the criminal level, it is that of the place where the perpetrator acted or that of the place where the result occurred or, should the case arise, that of the place where the first inquiry was opened.

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8.- Preliminary injunction

Art. 77 LB provides that, at the request of the person entitled to initiate the action, the competent authority shall order a preliminary injunction, in order to ensure the taking of evidence, the maintenance of the state of facts or the provisional exercise of contested rights relating to the cessation of an act or to the suppression of the state of facts resulting therefrom. In particular, the competent authority may order a precise description of the processes alleged to have been applied illicitly or of the products alleged to have been manufactured illicitly, and also of the installations, tools etc. used for manufacturing them, or it may order the seizure of those articles.

The petitioner will have to show it to be probable that the opposing party has committed or intends to commit an illegal act and that he is threatened with a loss which can hardly be made good and can be prevented only by means of a preliminary injunction.

Before ordering a preliminary injunction, the authority will hear the opposing party; if there is any danger in delay, it may already take urgent measures beforehand.

Should the occasion arise, the authority, when granting the petition, will allow the petitioner a period not exceeding sixty days for initiating the action, warning him that the measures ordered will cease to be effective if he fails to act within that period.

According to Art. 78 LB, the authority which is competent to order a preliminary injunction is that of the place where the civil action must be initiated as prescribed in Art. 75.

In principle, it is only the person to whom a patent has been granted that is entitled to act by way of a preliminary injunction. In this particular case, however, one cannot? exclude the possibility that the judge ordering the preliminary injunction may recognize that B.A.T. is entitled to act, in view of the fact that it already has a German

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patent which was granted to it after a preliminary technical examination.

9.- Discussion and conclusions

a) B.A.T. has no patent in Switzerland at the time of the launching of the competing filter

As long as B.A.T. is not protected by a patent in Switzerland, the competitor could, in principle, launch on the market a cigarette equipped with the B.A.T. filter. The risk which would be taken by the competitor in adopting this line of action is rather great, however.

On the one hand, it might in principle be recognized that B.A.T. was entitled to act by means of a preliminary injunction, and B.A.T. might therefore attempt to put a stop to the infringement of its right "in expectancy".

On the other hand, as soon as the patent was granted to it, B.A.T. could in any case act by all legal means in order to put a stop to the infringement of its patent and to have it sanctioned by the civil and criminal courts.

b) B.A.T. already has a patent in Switzerland at the time of the launching of the competing filter

In order to oppose the action of B.A.T. at the civil level (action on the main issue or preliminary injunction), the competitor could only plead as a matter of fact that its filter is not at all an infringement of the B.A.T. patent within the meaning of Art. 66 LB, or that the B.A.T. patent is invalid.

With a preliminary injunction, the chances of success of this latter means of defence are practically nil if the competitor has not taken care to open nullity proceedings with regard to the B.A.T. filter before the launching of the competing filter and ~~xxxxxxxxxxxxxxxx~~ if his petition does not already contain any decisive

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means of convincing the judge that its arguments are well founded; in response thereto, these means would be taken up again in the provisional procedure.

If the competitor's filter is not essentially different from the filter patented by B.A.T. ~~and therefore~~ to the extent that it? does not constitute an infringement within the meaning of Art. 66 LB, B.A.T. will be able, until the action on the main issue is decided, to oppose the launching of that filter; in this case, it would have good chances of success. It could, of course, try to obtain á criminal condemnation of the competitor.

It may be concluded as follows: If B.A.T. wins the case on the main issue, it will be able to obtain the destruction of the means of producing this filter, as well as damages for the loss of earnings resulting from the temporary sale of cigarettes equipped with the competing filter.

If, on the contrary, B.A.T. loses its case on the main issue, it would then be ~~faced with the risk of having~~ to pay damages to the competitor, which would not have been able to use its filter for the duration of the proceedings on the main issue. Supposing that B.A.T. were to lose its case on the main issue because its patent were declared invalid, one would have to admit that B.A.T. has never been protected by its patent and that, from the launching of the new filter onwards, the other competitors would also have been able to use it.

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